LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

301 State House
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FISCAL IMPACT STATEMENT

LS 7632
BILL NUMBER: HB 1853

NOTE PREPARED: Jan 29, 2003
BILL AMENDED:

SUBJECT: Income-Producing Property under Medicaid.

FIRST AUTHOR: Rep. Hinkle
FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED:	**X**	**GENERAL**
		DEDICATED
	X	**FEDERAL**

IMPACT: State

Summary of Legislation: This bill requires the Office of Medicaid Policy and Planning to amend the State Medicaid Plan to implement a federal provision concerning income-producing property in determining a person's assets for Medicaid eligibility.

Effective Date: July 1, 2003.

Explanation of State Expenditures: This bill requires the Office of Medicaid Policy and Planning (OMPP) to amend the State Medicaid Plan to implement the federal rule commonly referred to as the $6,000/6% provision. This rule is used in determining exclusions to the allowable resource limit for the value of property used to produce income. Social Security excludes up to $6,000 of an individual's equity in income-producing property if it produces a net annual income of at least 6% of the excluded equity for the individual. If the individual's equity is greater than $6,000, only the amount that exceeds the $6,000 is counted towards the allowable resource limit if the net annual income requirement of 6% is met on the excluded equity. (An individual's own home is not included in the allowable resource limit.) The current treatment of income-producing property for Indiana Medicaid is that income-producing property is exempt if the income it produces is greater than the expenses of ownership. This exemption has been in place since 1972 and retained under Indiana's status as a 209(b) state.

OMPP recently promulgated a rule regarding the transfer of income that was intended to slow some of the real estate asset sheltering being done by estate planners. Under the transfer of income rule, a recipient can no longer freely transfer an income producing asset without incurring a penalty in the amount of the value of lost rent or income over the period of the recipient's life. OMPP reported that, in their opinion, the transfer of income rule as well as the lien and nonprobate legislation passed by the General Assembly last year have helped to eliminate most of the asset sheltering involving income producing property exclusions.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Family and Social Services Administration, Office of Medicaid Policy and Planning.

Local Agencies Affected:

Information Sources: Amy Kruzan, Legislative Liaison for the Family and Social Services Administration, (317)-232-1149.

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